

AUGUST 1, 2002

**DEPARTMENT OF DEFENSE
USED ENRON-LIKE ACCOUNTING**

TOP DEMOCRAT ON GOVERNMENT EFFICIENCY SUBCOMMITTEE CALLS FOR HEARING ON LATEST PENTAGON FINANCIAL ABUSES

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL), the top Democrat on the Government Efficiency Subcommittee, today called for a hearing to examine the latest round of financial abuses and accounting mismanagement at the Defense Department.

The General Accounting Office (GAO) found that the Pentagon is having difficulty correcting its accounting books ([Report -- Canceled DOD Appropriations: Improvements Made but More Corrective Actions Are Needed. GAO-02-747, July 31](#)). According to GAO, the Defense Department is unable to reconcile "closed" or "canceled" appropriations accounts for fiscal year 2000 as required by a 1990 law, which states that appropriation accounts must be closed within five years. Congress passed that law to ensure that the Pentagon is not spending money for purposes not approved by the legislators.

The GAO report found that it would require 2300 staff hours, or ten years, "to correct the accounting for all of the affected fiscal year 2000 transactions." GAO added, "The substantial time and resources it takes to sort through DOD's complex accounting processes to correct these types of errors is yet another reason why DOD has to ensure that it accurately records transactions the first time around."

"I am troubled that the accounting at the Defense Department looks so much like the deceptive accounting used by Enron and WorldCom. DOD was using accounting gimmicks to circumvent the law. GAO may be pleased that these adjustments have been reduced by 80%, but I want to know when all illegal adjustments have been stopped," said Schakowsky.

"I will be calling for hearings on this and other abuses at the Defense Department as soon as Congress returns in September. The Defense department must be held accountable to the American taxpayers for its budget gimmicks," added Schakowsky.

Schakowsky is the ranking Democrat on the Government Reform Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations. The subcommittee has examined abuses with the Pentagon's credit and travel cards programs and others that have wasted millions of taxpayer dollars.